

Finance

| Adopted Adjustments | | | | |
|---|------------------------|----------------|------------------------|----------------|
| (\$ in millions) | | | | |
| | FY 2017 Adopted | | FY 2018 Adopted | |
| | <u>GF</u> | <u>NGF</u> | <u>GF</u> | <u>NGF</u> |
| 2016-18 Base Budget, Ch. 665 | \$1,804.3 | \$657.1 | \$1,804.3 | \$657.1 |
| Increases | 663.9 | 13.4 | 87.2 | 16.5 |
| Decreases | (1.1) | (2.9) | (1.1) | (3.6) |
| \$ Net Change | 662.8 | 10.5 | 86.1 | 13.0 |
| Chapter 780 (HB 30, as Adopted) | \$1,141.5 | \$667.7 | \$1,718.2 | \$670.1 |
| % Change | 36.7% | 1.6% | 4.8% | 2.0% |
| | | | | |
| FTEs | 1,098.60 | 204.40 | 1,098.60 | 204.40 |
| # Change | 0.10 | 3.90 | 0.10 | 3.90 |
| | | | | |
| <i>Note: Of the FY 2017 GF increase, \$605.5, or 91 percent is attributable to the mandatory deposit to the Revenue Stabilization Fund.</i> | | | | |

The budget, as adopted, for the 2016-18 biennium includes several technical adjustments from Chapter 665 of the 2015 Acts of Assembly including distributions from Central Appropriations to the various agencies for prior year agency savings; health insurance costs; retirement rate changes and the acceleration of the employer retirement contribution phase-in schedule; other post-employment benefit rate changes; salary and compression pay adjustments for state employees working in the Office of Finance, adjustments to reflect the cost of the new Cardinal financial accounting system, and other adjustments to reflect the cost of workers' compensation premiums.

- **Department of Accounts**

- *Payroll Service Bureau Cost Recovery Rates.* Adds \$7,804 NGF in FY 2017 and \$138,010 NGF in FY 2018 from the internal service fund for the Payroll Service Bureau to reflect an increase in the rates for payroll processing services provided to participating agencies. Includes language which specifies the rates for FY 2017 and FY 2018 that DOA is permitted to charge to agencies participating in the payroll service center, pursuant to § Title 2.2, Chapter 8, *Code of Virginia*. The five-

tier rate structure is based upon the type and number of W-2 forms processed and how each customer agency reports employee leave to the department.

- ***Working Capital Advance for CIPPS Replacement.*** Provides up to a \$25.0 million working capital advance to the department to pay the initial costs of the replacement of the Commonwealth Integrated Payroll System (CIPPS), including planning, development, and configuration of the new payroll system. Initial costs do not include statewide roll-out costs necessary to ensure agencies are prepared for the implementation of the new payroll system and the decommissioning of CIPPS. Up to \$10.0 million of the total amount may be used for any unforeseen costs associated with the roll-out of the Cardinal statewide financial management system.
- ***Cardinal Operating Costs.*** Includes \$1.9 million NGF in FY 2017 and \$2.9 million NGF in FY 2018 to reflect the first full year that all state agencies will use the Cardinal financial system. Revenues are supported by user charges assessed to participating state agencies.
- ***Transfer Positions to Appropriate Service Areas.*** Transfers 21.0 FTE from Financial Oversight for Enterprise Applications to Financial Oversight for Performance Budgeting System and Financial Oversight for Cardinal System. In Chapter 665 of the 2015 Acts of Assembly, sum sufficient appropriations of \$3.9 million NGF, and \$17.6 million NGF for the performance budgeting and cardinal systems in each year of the biennium, respectively, were allocated, but the positions were not. The appropriations are supported by internal service fund revenues derived from charges made to participating agencies for services rendered.

- **Department of Accounts Transfer Payments**

- ***Revenue Stabilization Fund Deposit.*** Provides a \$605.5 million deposit to the Revenue Stabilization Fund (“Rainy Day Fund”) for FY 2017, based on actual tax revenues collected in FY 2015. Following an estimated withdrawal in FY 2016 of \$235.0 million, the forecasted ending balance for FY 2016 will be \$237.4 million. The projected FY 2017 revenue stabilization fund balance (as of June 30, 2017) is \$845.3 million.
- ***Motor Vehicle Rental Tax Distribution to Localities.*** Increases the appropriation for the distribution of the Motor Vehicle Rental Tax to localities by \$9.0 million NGF in FY 2017 and \$10.5 million NGF in FY 2018, based on the Department of Taxation’s estimates for collections in each year.

- *Distribution of Rolling Stock Taxes to Localities.* Increases the appropriation for the distribution of payments to localities for rolling stock taxes by \$200,000 GF each year.
- *Adjust Funding for TVA Payments in Lieu of Taxes.* Reduces by \$100,000 GF each year the distribution to the Tennessee Valley Authority (TVA) for payments in lieu of taxes to reflect current revenue projections.
- *RSW Regional Jail Authority and Line of Duty Act Administration.* Permits the Rappahannock, Warrenton and Shenandoah (RSW) Regional Jail Authority to elect to opt-in or out of the Virginia Retirement System administered Line of Duty Act program. The Authority was not in existence at the time the original opt-in/out period took place.

- **Department of Planning and Budget**

- *Fund Population Projections for the Commonwealth.* Provides \$150,000 each year from the general fund for the Department to contract for population projections.
- *Additional Funding Related to Council on Virginia's Future.* Provides \$377,547 and 2 positions the first year from the general fund to support activities related to the Council on Virginia's Future, which will continue to operate under the Department of Planning and Budget.
- *Virginia Performs Continued Operation.* Provides \$257,351 and 2 positions the second year from the general fund for the Department to operate the Virginia Performs website and related performance measurement duties.
- *Council on Virginia's Future to Assist in Establishing GO Virginia.* Includes language directing the Council on Virginia's Future to work cooperatively with the Department of Housing and Community Development in establishing the Virginia Initiative for Growth and Opportunity, otherwise known as GO Virginia.

- **Department of Taxation**

- *Increase Staffing in the Refund Review/Identity Theft Program.* Provides \$828,868 GF in FY 2017 and \$945,018 GF in FY 2018 to fill 14 vacant positions in order to address identity theft and refund fraud. Assumes an increase in revenues of \$3.2 million GF the first year and \$5.2 million GF the second year from enhanced fraud mitigation efforts.
- *Expand Electronic Filing Mandates.* Adds language mandating electronic filing of Vending Machine Dealer's Sales Tax, Motor Vehicle Rental Tax and Fee, Communications Taxes, and Tobacco Products Tax returns beginning with the

July 2016 return. Language also states that the Tax Commissioner has the authority to waive the requirement to file electronically if doing so would cause undue hardship. The mandate is estimated to save \$23,618 GF each year.

- ***Cyber Security Software Enhancement.*** Provides \$400,000 GF in FY 2017 and \$150,400 GF in FY 2018 to procure software to enhance the agency’s cyber security efforts.
- ***Information Technology Security Positions.*** Provides \$296,660 GF in FY 2017 and \$288,792 in FY 2018 and 2 positions to maintain compliance with the application patch management process, which defines the strategy and deployment of software updates for certain systems at specified times to fix security vulnerabilities and improve the usability and performance of the Commonwealth’s desktop applications.
- ***Transfers from Contractor Collector Fund.*** Transfers \$547,950 NGF from the Contractor Collector Fund to various program areas within the department to align appropriations with historical expenditures.
- ***Tobacco Sales and Use Tax Compliance.*** Provides \$285,362 GF in FY 2017 and \$273,167 GF in FY 2018 to fund 3 vacant positions to support enhanced tobacco sales and use tax compliance. Additional revenue collections of \$350,000 GF the first year and \$1.5 million GF the second year are estimated as a result of enhanced compliance efforts.

- **Department of Treasury**

- ***Unclaimed Property Compliance.*** Provides \$1.1 million NGF each year to cover the costs of compliance contractor fees for audits related to unclaimed property compliance services.
- ***Funding for Operating Positions.*** Provides \$110,766 GF and \$140,171 NGF in FY 2017, and \$178,735 GF and \$146,507 NGF in FY 2018 to fund 2.0 additional FTE positions and 1 vacant position to support agency operations.
- ***Automate Investment Key Processes and Functions.*** Provides one-time funding of \$240,000 GF in FY 2017 to support a systems contractor to identify requirements and develop software to automate Cash Management and Investments’ key processes and functions.
- ***Enhance Unclaimed Property Web Application.*** Provides \$192,000 NGF in FY 2017 to enhance the application to complete claimant actions electronically, which would reduce claimant wait time and accelerate the return of funds to the owner.

- ***Unclaimed Property File Transfer Protocol.*** Adds \$48,000 NGF each year to update the file transfer protocol for unclaimed property holder reporting. The update would ensure that the unclaimed property holder’s login and password information is properly secured.
- ***Monroe Building Renovations.*** Provides \$200,000 NGF in FY 2017 and \$862,952 NGF in FY 2018 to make renovations to the fifth floor of the Monroe Building for the unclaimed property division. The renovations would increase security of personally identifiable information, add additional workspace, and improve safety for agency visitors and employees. Funding for the renovations would be made available from the liquidation of unclaimed property.
- ***Compensation for Wrongful Incarceration.*** Adds \$1.3 million GF in FY 2017 to provide compensation to Michael Kenneth McAlister for wrongful incarceration, pursuant to HB 700 of the 2016 General Assembly session.
- ***Data Security Breach Insurance.*** Adds language authorizing, notwithstanding section § 2.2-1836 of the *Code of Virginia*, the Department of the Treasury to initiate data breach coverage under the Property Plan for state agencies on a pilot basis beginning in FY 2017.
 - In the event of a data breach, Treasury will assist agencies in meeting certain required expenses, up to a cap, to include (but not necessarily limited to) forensic analysis, credit monitoring, and call centers to provide information for victims.
 - Treasury will be required to provide a report to the Secretary of Finance summarizing the program, loss experiences, and recommendations regarding the continuation of the program on or before October 15, 2017.
 - The pilot program is funded through existing funds.

- **Treasury Board**

- ***Adjust Debt Service Funding.*** Increases general fund amounts required for debt service on outstanding obligations and issuances of currently authorized General Obligation, Virginia College Building Authority (VCBA), and Virginia Public Building Authority bond projects by \$51.2 million in FY 2017 and \$56.6 million in FY 2018. The budget also reduces the NGF appropriation by \$861,699 in FY 2017 and \$1.5 million in FY 2018. In addition, \$25.9 million GF is included in FY 2018 for new bond authorizations issued in the first year.
- ***Maintain Tax Exempt Status of Bonds.*** Adds language to maintain the tax-exempt status of bonds that were used by the Commonwealth or its authorities,

boards or institutions to finance the acquisition, construction, improvement or equipping of real property. The language provides that proceeds from the subsequent sale or disposition of such acquired property and any improvements may first be applied toward remedial options permitted under federal law in order to maintain the tax exempt status of such bonds.